

Additional Frequently Asked Questions Related to Stop Loss
3/21/07

SUBMISSION DATES

1. Has the Year One stop loss application deadline been extended?

Answer: No. PHAs must submit their Year One stop loss applications by April 15, 2007.

2. If a PHA applies for stop loss by the April 15 deadline, when will the review of applications be completed?

Answer: PHAs are provided with an additional three months (July 15, 2007) to demonstrate successful preparation of monthly financial statements for their projects/central office cost centers (COCCs). The Department will not conduct assessments until after receipt/review of these financial statements. It will take approximately three or four months for these assessments to be completed. Hence, final recommendations are not anticipated until late Fall.

3. Has the Year Two stop loss application date been extended?

Answer: No. PHAs must submit their Year Two stop loss applications by October 15, 2007.

4. If initial year applicants will not be notified until mid-to-late Fall, does this mean that they will need to apply again in Year Two?

Answer: PHAs that submitted Year One applications will not need to submit entirely new applications. The Department is developing a streamlined submission for these PHAs. It is anticipated that the primary document PHAs will need to submit for Year Two (for those who applied in Year One) is updated/current financial statements.

5. When will the Year Two stop loss notice be posted and how different will the criteria be for Year Two?

Answer: The Department is looking to publish a Year Two stop loss notice in April. The criteria will be substantially similar to the criteria for Year One, with one exception. For Year Two, PHAs will not be provided an additional three months to demonstrate preparation of financial statements (applicable only in the first year).

6. If a PHA successfully applies in Year One, what impact will it have on CY 2007 and future year operating subsidy eligibility?

Answer: In accordance with the Department's proposed rules published November 24, 2006, regarding the revised transition schedule for decliner agencies, all decliners will

have their losses capped at 5% in CY 2007, regardless of whether they apply for stop loss. If a PHA is successful in applying for stop loss in Year One, however, the PHA will have its losses capped at 5% permanently (until such time as a new formula is developed). Similarly, all remaining decliner agencies will have their losses capped at 24% for CY 2008, regardless of whether they apply for stop loss. If a PHA is successful in applying for stop loss in Year Two, however, the PHA will have its losses capped at 24% permanently.

7. If a PHA is successful in demonstrating conversion to asset management, will it need to reapply each year?

Answer: It is not the intent of the Department to require PHAs who successfully applied to reapply each year to maintain their stop loss status. However, HUD may require these PHAs to submit a statement of certification that they remain in compliance. Further, the Department reserves the right to revoke this status if, subsequent to a successful application, the Department obtains information indicating that the PHA is no longer operating in accordance with successful conversion to asset management.

DATA FORM

8. On the PHA Data Form, should a PHA still list CY 2006 AELs and CY 2007 WAPELs?

Answer: Yes, both of these figures should still be listed.

9. On the PHA Data Form, should a PHA still list 2005 CFP even though HUD has now approved the 2006 CFP?

Answer: Unless the 2007 CFP has been approved, PHAs should use their 2006 figures.

UTILITY TRACKING REPORT

10. The stop loss submission kit includes a sample of a PHA's utility tracking report. The data on that form is from 2005. Shouldn't PHAs submit more current utility data? How far back should a PHA go in tracking utility consumption/costs?

Answer: The information included in the packet was intended merely to show that the PHA has a regular system for monitoring utility consumption/costs. Clearly, PHAs should include more recent data in their monitoring efforts. Two years of utility data would be minimally sufficient for comparison purposes.

SAMPLE BUDGET

11. The sample budget in the Stop Loss Submission Kit lists "bad debt" as an administrative expense, but the current Financial Data Schedule (FDS) classifies bad debts as a General Expense. Are PHAs required to include bad debt expense in the section for administrative expenses, like the sample?

Answer: No. HUD does not prescribe a standard budget format. HUD only requires that the budget line items easily reconcile to the FDS. In this particular “sample”, the PHA preferred to list bad debts within the administrative expense category.

12. On the Project Based budgets, there are no line items for non-routine work items. Can a PHA add them to the operating budget? Or does the Department expect all non-routine items to be done through the capital fund?

Answer: A PHA can certainly budget for non-routine items in its operating budget. The sample budget simply didn't include any such items, but could have. A PHA does not need, however, to include with the Operating Budget non-routine or capital fund items funded through Capital Fund.

13. For revenue, the sample in the submission kit breaks down the operating subsidy into four categories (Non-Utility Subsidy, Utility Subsidy, Add-on Subsidies, and Proration-unfunded). Is this breakdown required or can the PHA just list one line for operating subsidy?

Answer: The sample budgets in the submission kit were for illustration purposes only. PHAs do not need to use the same format. PHAs can combine all subsidies onto one line item; however, PHAs should be able to explain how the subsidy amount was derived.

14. Since Operating Subsidy is now funded on a Calendar Year basis, as opposed to each PHA's fiscal year end, does HUD have a prescribed method for estimating a project's operating subsidy for budget preparation purposes?

Answer: No. PHAs can use whatever method of estimating operating subsidy that is reasonable. PHAs with fiscal years ending in December will have their subsidy calculated with a given Federal appropriation. All other PHAs will need to estimate subsidy based on two different Federal funding years.

15. HUD last issued PHAs their Project Expense Levels (PELs) in the Spring of 2006, reflecting then-current data in PIC. Because of data errors in PIC, a PHA's PELs were not accurate. In order to submit a stop-loss application, it is important to have accurate revenue numbers. When can we expect the next PELs to be issued? As the PEL changes the funding at some developments substantially, we must have the development budgets prepared using the PELs. If the new PEL's are not going to be issued in the next two weeks, is it acceptable to submit the application with the last published PELs?

Answer: HUD will not update the PELs before the April 15, 2007, stop loss application deadline. However, for this first-year of applications, PHAs are not required to prepare budgets in accordance with their PELs. Rather, PHAs are permitted to assign operating subsidy to each project in accordance with local determinations (based on aggregate PHA funding), not based on PELs.

FEE-FOR-SERVICE AND FRONT-LINE COSTS VS. MANAGEMENT FEE EXPENSES

16. An agency typically provides training programs that are funded through Management Improvements under the Capital Fund. Are these eligible front-line costs under asset management?

Answer: Per 24 CFR Part 968(g), Management Improvements include a variety of items. Under asset management, the costs of training for front-line staff (e.g., housing manger, maintenance mechanic, etc.) would be eligible front-line costs. However, training for staff associated with the Central Office Cost Center would not be eligible and would need to be funded through fee income.

17. The September 6, 2006 Federal Register Public *Housing Operating Fund Program; Guidance on Implementation of Asset Management; Notice* stated that "HUD will consider a management fee of up to 20% of the administrative fee or up to \$12 PUM per voucher leased, whichever is higher, as meeting the requirements of the appropriation act. Under this methodology, PHAs can also charge the HCV Program a \$7.50 PUM bookkeeping fee for the program accounting." Would HUD consider the HCV fee limitations specified in the Notice as meeting the "reasonableness" requirements as well for the Section 8 Moderate Rehabilitation Program?

Answer: The Section 8 Moderate Rehabilitation Program is not governed by the same rules as the Housing Choice Voucher Program. If a PHA owns a Section 8 Moderate Rehabilitation project, it may use its excess cash in accordance with any stipulations in the regulatory agreement. If the PHA is the contract administrator for a Section 8 Moderate Rehabilitation project, the entire fee for administering the Moderate Rehabilitation program is considered "fee-for-service."

18. Regarding a small PHA under asset management with no COCC; why would it be allowed to fund administrative costs at \$155.97 PUM (per Attachment E of submission kit) while a large PHA must maintain its costs within the \$68.27 PUM range (Attachment A 2006-14)?

Answer: These are two different points of reference. The \$155.97 PUM figure for Buffalo is the total Admin line item, including not just management fees, but on-site administrative staff, on-site legal expenses, on-site training, etc. The Department used this "alternative" for small PHAs because it can be very difficult for small PHAs to break out the cost of the executive director/COCC from true "front-line" costs. So, we compare the entire Administrative category.

19. How does a PHA know which HUD multifamily office/jurisdiction that it should use for purposes of fee schedules?

Answer: HUD has not yet published a crosswalk of listing PHAs their corresponding Multifamily Office for purposes of fee schedules. In the meantime, PHAs should contact their field offices.

20. When are PHAs required to convert to a management fee approach and how do should PHAs account for vacancies in that calculation?

Answer: For agencies applying for stop loss, the new management fee schedules begin as of April 1, 2007. For these PHAs, as they apply, they are demonstrating that, beginning April 1, 2007, they can operate their COCCs within allowable fee income, and other business activity. As for treatment of vacancies the property management fee is only earned on occupied units and approved vacancies, but not limited vacancies. The asset management fee is earned on all ACC units; this is not the same as eligible unit months, per guidance in section 9 of the “Changes in Financial Management” supplement attached to PIH Notice 2006-33.

SMALL PHAS

21. The submission kit requests applicants to include a table describing how management services are arranged, i.e., centralized or decentralized. How should a PHA with just one AMP grouping and no COCC describe the arrangement of services?

Answer: If the PHA only has one AMP and does not employ a COCC, all services should be marked as “decentralized.”

22. A small PHA can implement the “alternate” asset management model (i.e., not establish a separate COCC) as long as their total administrative costs do not exceed the thresholds in Attachment E of the stop loss kit. What about PHAs that exceed the thresholds? Do they have to do full asset management (with a COCC) in order to qualify for stop-loss?

Answer: A small PHA that exceeds the thresholds in Attachment E would not qualify for stop loss based on the alternate model. It could, however, apply under the COCC model.

23. If a PHA currently has one AMP, but wants to change to two AMPs, when would it be able to make that change and receive the \$2 PUM asset management fee?

Answer: This election must be done by the time the PHA submits its annual operating subsidy form, Form HUD-52723.

24. For small PHAs that elect the alternative asset management model, i.e., no COCC, is HUD still only looking at FDS line items 911, 913, 915 & 916, plus any administrative costs charged to CFP BLI 1408 (Management Improvements), when comparing against the figures in Attachment E of the submission kit?

Answer: Yes. Remember, though, this comparison is for the upcoming reporting period, not the past year's expenses.

25. Should PHAs compute the PUM amounts for Attachment E using their total ACC units or should they use their total occupied + approved vacancies + limited vacancies?

Answer: PHAs converting to asset management must limit their actual administrative fee costs to the respective PUM amount multiplied by the actual number of units occupied during the given period and for the actual number of units under a HUD approved vacancy as described in CFR 990.145. Units defined as "limited vacancies" pursuant to CFR 990.150 are excluded per guidance in section 9 of the "Changes in Financial Management" supplement attached to PIH Notice 2006-33.

26. Does a small PHA with scattered sites grouped into one project qualify for the \$2 PUM asset management fee?

Answer: No. A small PHA with just one AMP does not receive the \$2 PUM asset management fee.

AMPs

27. When do you estimate issuing guidance on changing AMP groupings?

Answer: Guidance on changing AMP groupings is anticipated later this spring.

28. A PHA has 285 units of scattered site public housing (153 in AMP1 and 132 in AMP2), plus 12 units of USDA housing, 269 units of Affordable Housing maintained by an outside property manager, and 260 units of Affordable housing maintained by the Authority. The authority believes that the cost would be prohibitive to have separate maintenance staffs and warehouses for the various portfolios. Should they have separate staff?

Answer: PHAs should arrange for management services to each project in the best interests of the project, consistent with local norms in the multifamily industry.

50058 REPORTING

29. With respect to the compliance requirements with form HUD-50058, will the most recent assessment period be 9/30/06, which was last used to determine sanctions, or a later date? Also, PIH Notice 2006-14 indicates, "HUD may consider a PHA's progress in addressing the above compliance issues and other extenuating circumstances." PHAs with 18 or less units are automatically below 95% if only 1 unit is not reported. If a PHA corrects the unit(s) causing the decreased 50058 reporting rate, will the stop-loss be approved?

Answer: In order to be in compliance with form HUD-50058, PHAs must have a "public housing reporting rate...at or above 95 percent at the time of their most recent assessment period." For PHAs submitting for the April 15, 2007, deadline, the most recent reporting period will be 9/30/06. If a PHA was not in compliance, it should provide narrative addressing the extenuating circumstances.

CRIME DATA

30. Since PHAs are not routinely required to keep crime data on surrounding neighborhoods, PHAs often obtain neighborhood information from the City. This information traditionally has some significant lag time in publication and takes some time to obtain. What is the expected time frame for comparison?

Answer: A reasonable time-lag is acceptable.

CAPITAL FUND

31. The submission kit requires a certification of long term capital planning. What exactly does HUD mean when it requires a five-year plan for "each project?" Is there a format HUD proposes for the five-year plan for "each project?"

Answer: For this criterion, HUD expects that the PHA has completed a PNA for each project in the past five years. Additionally, HUD expects the PHA to have a realistic five-year capital plan, based on available funding, which prioritizes its needs. A PHA should also include, as required, a narrative asset management strategy for each project. Under that narrative asset management strategy, the PHA should provide a sense of the capital needs of each project, the funding to be assigned to that project in the upcoming years, and long-term asset strategy (upgrade, demolish, etc.). Clearly, current funding under the Capital Fund is not sufficient to address all capital needs in public housing. Consequently, it is not anticipated that a PHA would present a plan that shows all needs being addressed.

SAMPLE MONTHLY PROPERTY REPORT

32. Item 4 of the sample monthly property report (page 27 of the kit) shows make-ready and lease-up counts. Do these figures include the total number of days that all units were in make-ready and lease-up status?

Answer: This document is merely a sample and PHAs may use their own internal tracking/monthly property report. For this particular sample form, make-ready time reported under the "This Month" column reflects the average make ready time for units turned that month; the amounts reported under the "Year-to-Date" column reflect the average make ready time for units turned throughout the year.

33. For item 5 of the sample monthly property report (page 28 of the kit), if the vacant unit is ready to lease up, should the PHA put the date it was ready to lease up in the "projected ready date" column?

Answer: Yes. In this case the PHA should put the projected ready date in the "projected ready date" column. This document is merely a sample and PHAs may use their own internal tracking/monthly property report.

34. For PHAs with no waiting list and long-term vacancies due to changing market conditions, should they state "unknown" in the "anticipated lease date" column?

Answer: Yes. In this case place unknown in the anticipated lease date column. This document is merely a sample and PHAs may use their own internal tracking/monthly property reports.

35. For item 5 of the sample monthly property report (page 28 of the kit), does the category called "application approved and waiting" include units that are currently in make-ready status (i.e. cleaning/repair) or units where the tenant will take possession in the future because they had to give notice at their current residence?

Answer: This document is merely a sample and PHAs may use their own internal tracking/monthly property report. In this case, the "applications approved and waiting" column indicates a yes for applications approved and tenants ready to move in. "No" indicates a non-approved application and no tenant is ready to move in.

36. For item 8 of the sample monthly property report (page 28 of the kit), does this include annual recertifications and interim recertifications?

Answer: This document is merely a sample and PHAs may use their own internal tracking/monthly property report. In this case, this item includes only annual recertifications.

37. For item 10 of the sample monthly property report (page 29 of the kit), what would be counted as a warning that isn't counted as a violation?

Answer: This document is merely a sample and PHAs may use their own internal tracking/monthly property report. In this case, "lease warning issued" is an informal warning. "Lease violations issued" are formal actions.

38. For item 14 of the sample monthly property report (page 29 of the kit), are "other charges" all other income from tenants (i.e.. late fees, damages, cable, excess utilities? Is the number listed for "arrears, tenant in possession" just the late fee charged against tenant accounts receivable?

Answer: This document is merely a sample and PHAs may use their own internal tracking/monthly property report. In this case, other charges count as all other tenant charges, e.g., damages, late fees, etc.